

Message Text

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ACTION EB-08

INFO OCT-01 EUR-12 ISO-00 AID-05 CIAE-00 FRB-01 INR-10

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FM AMEMBASSY LUXEMBOURG

TO SECSTATE WASHDC 6246

USDOC WASHDC

INFO AMEMBASSY BRUSSELS

UNCLAS LUXEMBOURG 0201

USEEC

USDOC FOR DOC/INVESTMENT POLICY DIVISION

E.O. 11652: N/A

TAGS: EINV ECON ELAB ETRD LU

SUBJ: REQUEST FOR INFORMATION TO AID USG REVIEW OF
INTERNATIONAL INVESTMENT POLICY

REF: (A) STATE 37873, (B) LUXEMBOURG 0107, (C) BRUSSELS 2838

1. AN UP TO DATE REVIEW OF LUXEMBOURG'S INCENTIVES TO ATTRACT FOREIGN INVESTMENT IS CONTAINED IN REFTEL B REGARDING INVESTMENT CLIMATE. THE LUXEMBOURG GOVERNMENT AND ECONOMY ARE STRONGLY PRIVATE ENTERPRISE ORIENTED AND THE LEGAL AND SOCIAL ENVIRONMENT ENCOURAGE FOREIGN PRIVATE INVESTMENT. LUXEMBOURG'S SCHEME OF INCENTIVES IS IN ACCORDANCE WITH EC GUIDELINES. THE FOLLOWING IS A POINT BY POINT REPLY TO QUESTIONS RAISED IN STATE REF A.

2. (A) LUXEMBOURG SEEKS FOREIGN INVESTMENT TO MAINTAIN
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EMPLOYMENT AND GENERAGE OVERALL ECONOMIC DEVELOPMENT. OWING TO THE VERY SMALL DOMESTIC MARKET, VIRTUALLY ALL FOREIGN INVESTMENT IS GEARED TO EXPORT, PRIMARILY WITHIN THE EUROPEAN ECONOMIC COMMUNITY. THERE IS NO REQUIREMENT, HOWEVER, FOR VOLUME OR PERCENTAGE OF EXPORTS NOR FOR IMPORT SUBSTITUTION.

B. THERE ARE NO REQUIREMENTS THAT INVESTMENT BE LOCATED IN CERTAIN GEOGRAPHIC AREAS OR IN PARTICULAR INDUSTRIES. IN THE 1960S THE GOL DID ENCOURAGE SITING OF NEW FACTORIES IN THE CENTRAL AND NORTHERN PART OF THE GRAND DUCHY TO STEM DEPOPULATION IN THESE PRE-DOMINANTLY RURAL AGRICULTURAL AREAS. SINCE 1975 THE GOVERNMENT HAS BEEN ESPECIALLY CONCERNED TO PROVIDE EMPLOYMENT IN THE SOUTHERN PART OF THE COUNTRY WHERE LARGE JOB REDUCTIONS ARE OCCURRING IN THE STEEL INDUSTRY. AGAIN, HOWEVER, THERE IS NO REQUIREMENT, MERELY ENCOURAGEMENT, TO LOCATE IN AREAS WHERE UNEMPLOYMENT IS A PROBLEM.

C. THERE IS NO DISCRIMINATION BETWEEN DOMESTIC OR FOREIGN INVESTORS IN POLICY OR PRACTICE. THERE ARE NO QUALITATIVE OR QUANTITATIVE EMPLOYMENT QUOTAS, EXPORT IMPORT QUOTAS, LOCAL CONTENT OR VALUE ADDED RESTRICTIONS, REQUIREMENTS ON CAPITAL FLOWS, LIMITATIONS ON FOREIGN OWNERSHIP, ACCESS TO CAPITAL MARKETS OR CONDITIONS ON CONTRACTS.

3. IN THE POST-WAR PERIOD THE GOL ATTEMPTED TO DIVERSIFY THE NATIONS ECONOMY AWAY FROM OVER RELIANCE ON ITS ONE MAJOR INDUSTRY -- STEEL. DESPITE SUCCESS IN THIS REGARD THROUGH THE 1960S THIS NEED IS ACUTELY IMPORTANT AGAIN TODAY. NEVERTHELESS, THERE ARE NO BARRIERS TO UNCLASSIFIED

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INVESTMENT IN ANY FIELD.

4. FOREIGN INVESTORS ARE NOT EXEMPTED FROM LEGISLATION OR REGULATIONS GOVERNING LABOR AND INDUSTRIAL RELATIONS. LUXEMBOURG HAS A MINIMUM WAGE LAW. THE COUNTRY IS HIGHLY UNIONIZED BUT THE DECISION FOR UNIONIZATION IS TAKEN BY FREE VOTE AMONG EMPLOYEES AND IS NOT A GOVERNMENT REQUIREMENT. THERE ARE HEALTH AND SAFETY REGULATIONS, CHILD LABOR LAWS, LABOR COMPENSATION, HOURS, WORKING CONDITIONS REGULATIONS ALL OF WHICH APPLY EQUALLY TO FOREIGN AND DOMESTIC FIRMS.

5. THERE ARE NO GOVERNMENT SUBSIDIES FOR WAGE PAYMENTS OR OTHER COMPENSATION FOR FOREIGN INVESTMENT. THE GOL IN FACT STRONGLY DISAPPROVES OF SUCH INCENTIVES AND LIMITS ITS INCENTIVES TO INFRASTRUCTURE, EQUIPMENT AND TAX SUBSIDIES IN INITIAL YEARS OF OPERATION ONLY. LOWENSTEIN

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Disposition Approved on Date:
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